

The IT Staff Augmentation General Contracts Governor Recommendation & DAS Proposal

- Why by-pass the state of Iowa competitive bid process (RFP) and “piggy back” on a state of Pennsylvania contract?
 - Expedite the ability to work with Computer Aid, Inc. and use the Management “tool”.
 - Eliminate the 12 month RFP process.
- IT Staff Augmentation:
 - Describes Temporary Workers who are typically contracted for durations of 3 months to one year of which some contracts are federal funded objectives.
 - Does not include special IT projects, software or hardware expenditures.
 - Today is managed by DAS Purchasing and Agencies.
- Vendor Management:
 - Is an outsourced management of DAS and Agency purchasing for IT Staff Augmentation of Temporary Workers.
 - Effects eighty-one (81) existing businesses currently Qualified with the State of Iowa.
 - Adds a manager, specifically Computer Aid, Inc., between the State Agencies and businesses.
 - “Encourages” businesses to join Computer Aid, Inc. “Network”.
 - When current General Contracts expire:
 - State of Iowa will encourage existing businesses to join the Computer Aid, Inc. “Network”; however, if business chooses not to:
 - State of Iowa will encourage existing business employees to leave their company and seek employment with Computer Aid, Inc. or one of their Network Vendors.
 - State of Iowa will recruit existing business employees to leave their company become full-time state employees.
 - State of Iowa will eliminate the business employee.

Will this recommendation adversely or positively
effect State Agencies and Iowa Businesses?

What Are The Stated Benefits?

- Cost savings:
 - Based on Pennsylvania, approximately 30%.
 - Actual Unknown; Guess-timated up to \$2 Million.
- Vendor Management process:
 - Agency:
 - Replaces Agency solicitation from vendors.
 - Receives 3 top temporary worker resumes versus “deluge of resumes”.
 - DAS:
 - Duplicates DAS data for Network Vendors providing both Staff Augmentation and other services.
 - * Still need existing ITQ for: Projects, Software and Hardware expenditures.
 - Provides “tool” for purchasing and expenditure tracking (like I/3’s CGI-AMS Advantage Suite).
 - Compensates for the Lack of State Executive Branch to adequately staff and support the ITQ process as established:
 - To keep ITQ list update with new vendors.
 - To provide central coordination.
 - For reporting and metrics of centralized expenditures.
- Additional pool of Temporary Workers:
 - Pennsylvania Target Small Business (TSB) increase/decrease is unknown.
 - One hundred and Fifty-Five (155) Network Vendors:
 - 51% “Disadvantaged Businesses”.

The “Unknown” State of Iowa Average Cost For IT Staff Augmentation Savings for Pennsylvania

- First, the most probable way was by replacing large national firms:
 - Including Unisys, Microsoft, IBM, Ciber etc..
 - Which typically charge between \$100 - \$250/hour.
 - With small to medium size businesses.
 - For 55% of Staff Augmentation Savings.
- The State of Iowa does not normally utilize large national firms for Staff Augmentation; nor do the Agencies generally pay costs over \$100/hour.
 - When asked if paying > \$100/hr, three large agencies stated:
 - DAS: “As a general occurrence the answer is no, however, it is occasionally necessary to bring on someone with an unique hard to find skill set that necessitates a hourly rate in excess of \$100/hour”. “That has occurred in less than 3% of the staff augmentation opportunities”.
 - DHS: “At the time DHS does not have any Contractors above \$100 for Staff Augmentation”, however “For very short term activities it would not be unreasonable to pay these rates”.
 - DOT: Yes, for part-time - “If justified based on skills, knowledge, ability, and required availability”.

Given these differences, what is the likelihood that the State of Iowa will achieve 30% savings?

The “Unknown” State of Iowa Average Cost For IT Staff Augmentation Savings for Pennsylvania

- Secondly, by cutting Costs and/or Contracts with Mid-to-Small Businesses.

State of Iowa IT Staff Augmentation Roles, per the ITQ Contract

Category			
1. Strategy/Vision/Consulting	4. Developing	5. Testing	8. On-Going Support
Architect	Developer	Test Planning	Help Desk Support
Subject Matter Expert	Sr. Developer	Quality Assurance	On-Site Support
Business Consultant/Analyst	Jr. Developer	6. Implementation	On-Call Support
2. Project Management	Engineer	Implementation Planning	9. Administration
Program Manager	Sr. Engineer	7. Training	Database
Project Manager	Jr. Engineer	Product Building	LAN/WAN
Project Administrator	Emerging/Niche Technology	Classroom Delivery	Operating System
Technical Writer	Sr. Emerging/Niche Technology	Online / CBT	Web
3. Design/Planning	Jr. Emerging/Niche Technology	Field Delivery	Messaging
Architect / Technology Lead			Security
			Emerging/Niche Technology

- Based upon Agency Reporting Expenditures for 2006:
 - IT Staff Augmentation Verified Expenditure: \$7,678,899.
 - 60% IT Staff Augmentation is for the Sr. Developer Role.
 - Average cost: \$60/hour.
- Pennsylvania Average contract rate for the Sr. Developer role is \$65/hour.
 - Pennsylvania would have been charged an average of \$93/hour prior to the 30% savings.
 - Pennsylvania engagements for Sr. Developers consisted of 21% of IT Staff Augmentation.
 - With a target of 30% savings, Computer Aid, Inc. should charge Iowa \$42/hour.

Will this recommendation adversely or positively
effect State Agencies and Iowa Businesses?

The “Unknown” State of Iowa Average Cost For IT Staff Augmentation Possible Impacts to State Agencies and Iowa Businesses

- Lose experienced Staff Augmentation Temporary Workers.
 - With low national unemployment, Temporary Workers willing to work in Iowa:
 - Require either travel compensation or traditional full-time employee salaries, which is a \$44/hour average for a State of Iowa Information Technology Specialist 4 & 5 (Sr. Developer).
 - Reduce Temporary Workers salaries to cover Computer Aid, Inc. Administrative Fees and Mark-up.
 - Perceived volatility with Temporary Workers, normally necessitates a higher per hour employee cost than traditional full-time employees.
- Increase costs.
 - Expect a \$65/hour average cost based upon Pennsylvania; but,
 - May be as high as \$70-112/hour based on “Senior Consultant” Role.
 - Hidden Administrative Fees.
- Reduce costs.
 - State of Iowa will encourage existing business employees to leave their company and seek employment with Computer Aid, Inc. or one of their Network Vendors.
 - State of Iowa will recruit existing business employees to leave their company become full-time state employees.
 - Outsource utilizing Computer Aid Inc. operations in CAN, India, UK, China and Philippines.
 - May not reach a 30% cost savings.

Will the State of Iowa: lose experienced staff, increase costs or reduce costs?

Vendor Management Process for IT Staff Augmentation Impacts to State Agencies and Iowa Businesses

- Replaces Agency solicitation from vendors.
- Screens 3 top Temporary Worker resumes for Agency versus “deluge of resumes”.
- Compensates for the Lack of State Executive Branch to adequately staff and support the ITQ process as established:
 - To keep ITQ list update with new vendors.
 - To provide central coordination.
 - For reporting and metrics of centralized expenditures.
- Provides “a Tool” for purchasing and expenditure tracking:
 - Which conforms to Administrative Rules.
 - Will contain duplicate DAS data for Network Vendors providing both Staff Augmentation and Project services.
 - Available in I/3’s CGI-AMS Advantage Suite - Procurement module.

Why not consider other competitive companies and tools that exist?

Vendor	Product
AT Kearney	eBreviate Sourcing Suite
Emptoris	Emptoris Suite
Ariba	Supplier Solutions

Will this recommendation adversely or positively
effect State Agencies and Iowa Businesses?

Additional Pool of Temporary Workers for IT Staff Augmentation Impacts to State Agencies and Iowa Businesses

- State of Iowa:
 - Encourages usage of Targeted Small Businesses (TSB).
 - Responses from current Businesses results in a “deluge of resumes”.
 - Feedback as Reported by Agencies:
 - Turnover is low or non-existent.
 - Only 1 Temporary Worker was removed.
 - Temporary Workers are qualified.
- Pennsylvania:
 - Targeted Small Businesses (TSB) usage - unknown.
 - Measures usage of Disadvantaged Businesses – 51% of 155 Active Network Vendors.
 - Filter Responses from Vendor Network to top 3 Resumes.
 - Feedback as Reported by Computer Aid, Inc., during first 22 months of contract:
 - Attrition rate: approximately 2%.
 - Removal rate: < 2%.
 - Computer Aid, Inc. is directly eligible for 25% of the Total IT Staff Augmentation \$'s.
 - With other states, Network Vendors were put in 2 Tiers after 6 months.
 - Tier 1: 24-35 Vendors
 - Tier 2: Do Not Receive Requests

What are the reasons some of the Agencies are not on board with this contract award?

Computer Aid, Inc. is being Awarded the Outsourced Vendor Management Contract for IT Staff Augmentation

- Computer Aid, Inc. - State of Pennsylvania contract:
 - Awarded in December 2004.
 - Mandatory for all Executive Branch Agencies; optional for Treasurer, Auditor, Retirement System, etc.; Regents not included.
 - State Fees:
 - **Up-Lift Fee:** \$4/hour, if Temporary Worker is off-site.
 - Arkansas went under Pennsylvania Contract:
 - Rates same as Pennsylvania.
 - Markup Vendor Network employee cost by 49%.
- Computer Aid, Inc. - State of Virginia Contract:
 - Mandatory for Agencies.
 - State Fees:
 - **Non-Use Fee:** 1% for each consultant, hired by the State, which does NOT go through Vendor Network.
 - **Transaction Fee:** If MWBE - 1%, cap \$500/Order; If Other Registered - 1%, cap \$1500/Order; If Other Non-Registered - 2%, cap at \$3000/Order.
 - **Administration Fee:** 5.52%.
 - **Hiring Fee:** 50% of Salary if in first year.
 - Network Vendor Fees:
 - **Transaction Fee:** MWBE - 1%, cap \$500/Order; Others - 1%, cap \$1500/Order.

What fees will the Iowa Contract contain once approved?

Computer Aid, Inc. is being Awarded the Outsourced Vendor Management Contract for IT Staff Augmentation

- Computer Aid, Inc. - Lawsuits:
 - June 15, 1999: Computer Aid, Inc. sued Hewlett-Packard for breach of a contract to jointly develop certain products.
 - Computer Aid's attorneys issued a press release to reporters the night before the complaint was filed.
 - Hewlett-Packard responded by suing Computer Aid and its lawyers for defamation, alleging that statements in the press release were false and defamatory.
 - The court ruled that the fair report privilege may not apply.
 - The court ruled that a jury could find that statements in Computer Aid's press release "grossly overstate" the nature of its claims against Hewlett-Packard.
 - The court denied the motion by Computer Aid and its lawyers for summary judgment.
 - October, 2006: Computer Aid, Inc. sues for appeal of the Department of the Treasury of the State of New Jersey RFP award, arguing that the award of contract to implement a Property Assessment Management System to Cole Layer Trumbel Company (CLT) must be vacated because CLT did not comply with the RFP.
 - The State of New Jersey rejected Computer Aid, Inc.'s arguments and affirmed substantially, for the reasons expressed by the Director.

Is Computer Aid, Inc. the best company for Iowa?

State of Iowa IT Staff Augmentation Summary

- Cost Savings:
 - State of Iowa:
 - Implied 30%; study performed by Accenture for Pennsylvania; study for Iowa not deemed necessary.
 - Pennsylvania Contract:
 - Assumes the competitive bidding in Pennsylvania is adequate.
 - Assumes that there might be Pennsylvania Network Vendors who would provide service in Iowa.
 - Discounts the needs of Iowa.
 - Additional administration fees are applied.
 - Will not be able to reduce DAS Management costs because they still need to administer IT Projects, Software and Hardware expenditures.
- Vendor Management process:
 - State of Iowa:
 - The Computer Aid Inc. process and tool provides tracking of costs / satisfaction / etc.:
 - What will be used to track similar expenditures of IT projects, hardware and software?
 - * Replicates Procurement module available with I/3 CGI-AMS Advantage Suite.
 - Vendor Management is all about following administration rules and reporting.
 - Bypassing the RFP process may save time, but it means Iowa doesn't go through the pieces of the process to understand current status and specific needs.
 - Sets an interesting 'example' for what the other Agencies are told not to do.
 - Why not create a RFP so other Vendors can participate in the single Vendor Management process?

Since “there is no urgency”, why was it stated this would be an Executive Order?